

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7021

BILL NUMBER: HB 1256

NOTE PREPARED: Jan 10, 2008

BILL AMENDED:

SUBJECT: Distributed Generation Facilities.

FIRST AUTHOR: Rep. Neese

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that an "alternate energy production facility" includes a facility that produces electricity from certain renewable energy resources. The bill also provides that the rates paid by an electric utility for the purchase of energy from alternate energy production facilities must equal at least 90% of the retail rate charged by the utility for similar retail customers. This bill requires the Utility Regulatory Commission (IURC) to adopt emergency rules amending the IURC's rules concerning the following: (1) cogeneration and alternate energy production facilities; (2) net metering; and (3) customer-generator interconnection standards. The bill also requires that the amended rules must do the following: (1) Allow the interconnection of generating facilities that make use of certain technologies. (2) Provide that the rates paid by an electric utility for the purchase of energy from certain generating facilities must equal at least 90% of the retail rate charged by the utility for similar retail customers. (3) Allow certain generating facilities with a nameplate capacity of 100 kilowatts or less to interconnect to the distribution facility of an electric utility. (4) Provide that an electric utility may not require a net metering customer to maintain liability insurance if the customer's net metering facility meets certain certification and interconnection requirements. The bill also provides that any existing rules are void to the extent they do not comply with the requirements for the amended rules. This bill requires the IURC to report to the Regulatory Flexibility Committee on the IURC's progress in adopting the amended rules.

Effective Date: Upon passage; July 1, 2008.

Explanation of State Expenditures: This bill will cause an indeterminable increase in administrative expenditures for the IURC. The bill requires the IURC to adopt emergency rules concerning the following: (1) cogeneration and alternate energy production facilities; (2) net metering; and (3) customer-generator interconnection standards. The IURC is also required make a report by November 1, 2008 to the Regulatory

Flexibility Committee concerning the progress of amending these rules.

The bill also adds organic waste biomass facilities, including anaerobic digestion systems to the definition of alternate energy production facility. This provision will also cause the IURC to amend and adopt rules concerning regulation of contracts entered into by electric utilities to purchase energy from alternate energy production facilities.

Explanation of State Revenues: There could be an increase in state revenues to the extent that any of the provisions of this bill increase utility rates. It is estimated that requiring a rate equal to at least 90% of the retail rate for purchases of certain alternative energy by electric utilities will cause an increase in utility rates. The increase in revenues will be as a result of increased collections of Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax imposed on utility transactions and revenues.

Background: The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IURC.

Local Agencies Affected:

Information Sources:

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